

Message Text

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13

ACTION EUR-10

INFO OCT-01 ISO-00 EB-03 COME-00 TRSE-00 PM-03 NSC-07

SP-02 SS-14 RSC-01 AGR-03 CIAE-00 INR-10 NSAE-00

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FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 825

INFO SECDEF WASHDC

LIMITED OFFICIAL USE BELGRADE 5032

E.O. 11652: N/A

TAGS: EFIN, YO

SUBJECT: INCREASE IN BUDGETARY EXPENDITURES

REF : BELGRADE A-98, FEB 15, 1974

1. FINANCE SECRETARY CEMOVIC HAS REPORTED TO SFRY ASSEMBLY THAT 1974 FEDERAL BUDGETARY EXPENDITURES NOT EXPECTED TO TOTAL 47.3 BILLION DINARS, 14 PERCENT MORE THAN 41.5 BILLION DINARS ASSEMBLY VOTED AT BEGINNING OF YEAR. AFTER BRIEF DISCUSSION, ASSEMBLY APPROVED REVISION.

2. BUDGET REVISION REFLECTS INCREASED SPENDING FOR NATIONAL DEFENSE, BENEFITS TO DISABLED VETERANS, AND INTERVENTIONS IN ECONOMY.

3. COVERAGE OF DEFICIT MUST AVOID IMPOSING ADDITIONAL BURDENS ON LIQUIDITY - SHORT ECONOMY, CEMOVIC STATED. GOVERNMENT WILL INCREASE BORROWING FROM NATIONAL BANK, SELL ADDITIONAL BONDS TO PUBLIC. MOREOVER, BUDGETARY REVENUES ARE SOMEWHAT LARGER THAN EXPECTED, REFLECTING CUSTOMS COLLECTION ON STEEPLY INCREASED IMPORTS.

4. COMMENT: INFLATION IS UDOUBTEDLY IMPORTANT FACTOR
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IN EXCESS BUDGETARY SPENDING: WHEN BUDGET WAS DRAWN UP

20 PERCENT RISE IN PRICES WAS EXPECTED, ACTUAL RISE MAY BE
30 PERCENT. PRINCIPAL INTERVENTIONS IN ECONOMY ARE
OCCURRING IN AGRICULTURAL AREA, WHERE GOVERNMENT (A)
FORCED TO PURCHASE LARGE AMOUNTS OF BEEF AT SUBSIDIZED PRICE FROM
DOMESTIC PRODUCERS, SINCE TRADITIONAL ITALIAN MARKET BARRED
BY EEC IMPORT BAN, AND (2) FUNDING PURCHASE OF PART OF
RECORD WHEAT AND CORN CROPS AT PREMIUM PRICES. INCREASED DEFENSE
SPENDING PROBABLY REFLECTS HIGHER MILITARY PAY,
IMPROVED HOUSING, AIR FIELD UPGRADE PROGRAMS AND
POSSIBLY, ADDITIONAL HARDWARE PROCUREMENT FROM SOVIETS,
TOWARD MODERNIZATION GOALS (SEE BELGRDE 4984). PROJECTED
NEW BOND ISSUE WILL FOLLOW TWO INITIAL OFFERINGS
TOTALLING 2.1 BILLION DINARS AT 10 PERCENT INTEREST
RATE EARLIER THIS YEAR.
TOON

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